- Discuss scoring under Interim PHAS Rule, including:
  - The financial condition scoring methodology used in determining the FASS score
  - The management operations scoring methodology used in determining the MASS score
  - The key aspects of the PHAS Interim Rule (informational only)

- Only scored on projects column of FDS
  - No COCC
  - No RAD Projects

PHAS Indicators

PHAS Indicator	Interim PHAS Rule Max Points	Transition Year 2 Max Points
1. Physical Condition	40 points	~~30 points~~
2. Financial Condition	25 points	~~30 points~~
3. Management Operations	25 points	~~30 points~~
4. Capital Fund Program	10 points	10 points
Overall PHAS Score =	*100 Points*	*100 Points*

- Interim PHAS scores assess only the public housing program (the financial assessment is no longer based on an entity-wide assessment).

- Mixed-finance projects will not receive financial or management scores; they will receive a physical score.

FINANCIAL CONDITION INDICATOR (FASS) SCORING METHODOLOGY

- Under Interim PHAS Rule, the financial condition of each PHA is evaluated to determine whether the PHA
  - Has sufficient financial resources
  - Is managing those resources effectively to support the provision of decent, safe, and sanitary housing in the PHA's public housing projects

- Low Rent and Capital Fund (CFP) activities are reported at the project level
  - All other programs and activities (entity-wide) are reported separately from the projects in their own columns on the Financial Data Schedule (FDS).

- There are three new FASS sub-indicators under Interim PHAS.

Prior PHAS

Current Ratio	9.0
Months Exp. Fund Balance (MEFB)	9.0
Tenant Rec. Outstanding (TRO)	4.5
Occupancy Loss (OL)	4.5
Net Income (NI)	1.5
Expense Management (EM)	1.5
TOTAL POINTS	*30.0*

Interim PHAS

Quick Ratio	12.0
Months Exp. Net Assets (MENAR)	11.0
Debt Service Coverage (DSCR)	2.0
TOTAL POINTS	*25.0*
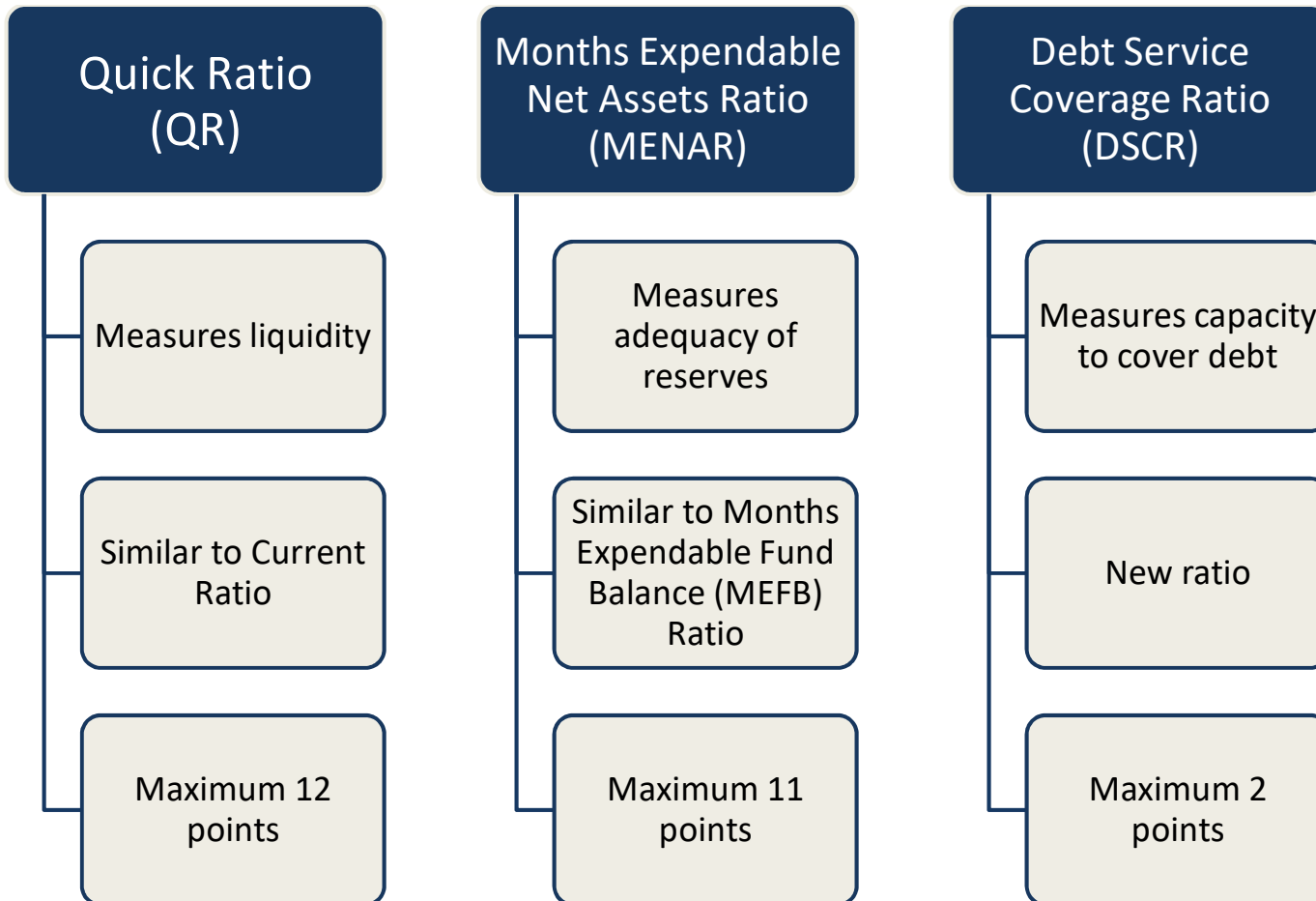
Quick Ratio (QR)	Months Expendable Net Assets Ratio (MENAR)	Debt Service Coverage Ratio (DSCR)
Measures liquidity	Measures adequacy of reserves	Measures capacity to cover debt
Similar to Current Ratio	Similar to Months Expendable Fund Balance (MEFB) Ratio	New ratio
Maximum 12 points	Maximum 11 points	Maximum 2 points

- Calculation Methodology
- Detail Line Item Calculation

$$\frac{Cash + Cash\ Equivalents + Current\ Receivables}{Current\ Liabilities}$$

$$\frac{111 + 114 + 115 + 120 + 131 + 135 + 142 + 144}{310 - 343.010}$$

How QR is Scored

QR<1.0	0 points
QR =1.0	7.2 points
1.0<QR<2.0	7.2<points<12.0
QR≥2.0	12.0 points

When the QR calculates to a value > 1.0 but < 2.0, the number of points that will be assigned for this ratio can be calculated as follows: 7.2 + ((QR-1) × 4.80)

- Ensure that the long-term portion of accrued compensated absences, FSS escrow liabilities, and any other long-term debt is reported as non-current on the FDS.

- Ensure that cash and investments are properly reported between unrestricted and restricted, paying special attention to any restricted cash and investments that will be used for payment of a currently liability.

  - For PHAs that have multiple projects and excess cash, consider transferring excess cash to those projects that have a quick ratio of 2.0 or less
  - Ensure CFFP & EPC debt is identified separately on the FDS detail lines.

- Since it is only scored on projects look at allocation of expenses between projects and COCC
  - Also look at allocation of Assets & Liabilities between projects and COCC
    - Prepaid expense
    - Payables
    - Receivables
- Review current liabilities
  - Are they really current?

- ● Calculation Methodology

- ● Detail Line Item Calculation

$$\frac{Unrestricted\ Resources}{Average\ Monthly\ Operating\ and\ Other\ Expenses}$$

$$\frac{[(111+114+115+120+131+135+142+144)-310]}{[(96900+97100+97200+97800)/12]}$$

How MENAR is Scored

MENAR<1.0	0 points
MENAR =1.0	6.6 points
1.0<MENAR<4.0	6.6<points<11.0
MENAR≥4.0	11.0 points
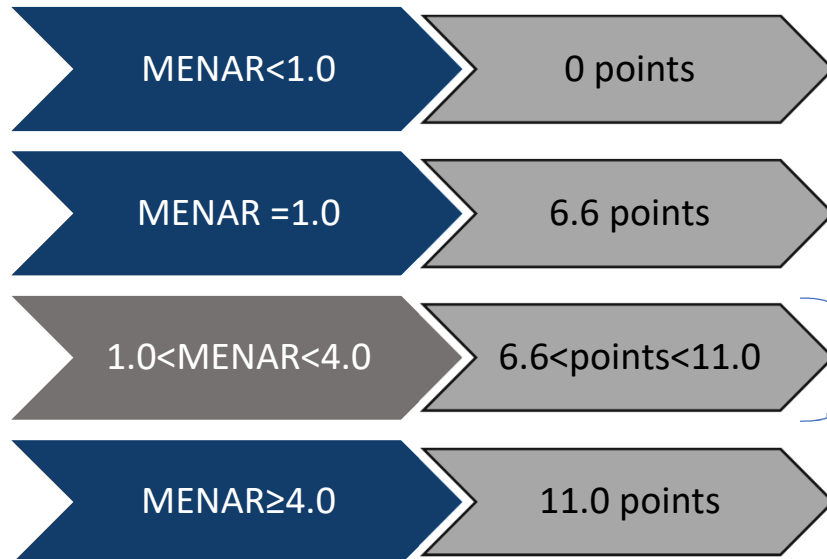
For the MENAR calculation, the denominator is from the Low Rent column of the project only and does not include any amounts reported in the Capital Fund column for these line items

When the MENAR calculates to a value > 1.0 but < 4.0, the number of points that will be assigned for this ratio can be calculated as follows: 6.6 + ((MENAR − 1) $\times$ 1.46667)

MENAR: Based on Low Rent Only

- For the MENAR calculation, the denominator (FDS Lines 96900, 97100, 97200, and 97800) is from the Low Rent column of the project only and does not include any amounts reported in the Capital Fund column for these line items.

	Low Rent	Capital Fund	Total Project
96900 Total Operating Expenses	$2,327,013	$164,119	$2,491,132
97000 Excess of Operating Revenue over Operating Expenses	-$204,596	$158,795	-$45,801
97100 Extraordinary Maintenance	$30,724		$30,724
97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments			
97350 HAP Portability-In			
97400 Depreciation Expense	$455,323		$455,323
97500 Fraud Losses			
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense			

Real Estate Assessment Center
Financial Assessment Subsystem (FASS-PH)

| My Inbox | PHA Info | FDS | DCF | Notes and Findings | Submit | Review Submission | Edit Flags | Reports | Logout |

Review Comments
Reviewer Comments
View Prior Fiscal Year Comments
Submit Review
Review Score

PHA Information

PHA Code:	NY029	Fiscal Year End Date: 06/30/2010
PHA Name:	Lackawanna Municipal Housing Authority	
Submission Type:	Audited/Single Audit	

Months Expendable Net Assets Ratio (MENAR) Details

Organization: NY029000001   Overall Score: 17.38
Score: 6.68   Value: 1.05
Formula: Adjusted Unrestricted Current Asset - Current Liabilities/Monthly Operating Expense
$((111+114+115+120+131+135+142+144)-(310))/((96900+97100+97200+97800)/12)$

Line Item	Description	Amount
Numerator		
111	Cash - Unrestricted	$400,026
114	Cash - Tenant Security Deposits	$29,228
115	Cash - Restricted for Payment of Current Liabilities	$
120	Total Receivables, Net of Allowances for Doubtful Accounts	$34,930
131	Investments - Unrestricted	$
135	Investments - Restricted for Payment of Current Liability	$
142	Prepaid Expenses and Other Assets	$28,095
144	Inter Program Due From	$
310	Total Current Liabilities	$285,204
Sub-Total		$207,075
Denominator		
96900	Total Operating Expenses	$2,327,013
97100	Extraordinary Maintenance	$30,724
97200	Casualty Losses - Non-capitalized	$
97800	Dwelling Units Rent Expense	$
Sub-Total		$2,357,737

Back to Review Score Details

Note: the Income Statement items below are pulled only from the Low Rent Income Statement

- See Quick Ratio

- Ensure that Capital Fund Management fees or other CFP Administration expenses (BLI 1410) are reported in the CFP column of the project.

- Ensure that CFFP Debt transactions are reported in the CFP column of the project.

- Check Extraordinary Maintenance expense
  - Should any of it be capitalized?

- Calculation Methodology $\dfrac{\textit{Adjusted Operating Income}}{\textit{Annual Debt Service, excluding CFFP Debt}}$

- Detail Line Item Calculation $\dfrac{(97000+96700)}{(96710+96720+11020)}$

How DSCR is Scored

DSCR<1.0	0 points
≥ 1.0 but <1.25	1 point
DSCR≥1.25	2 points
NO DEBT AT ALL	2 points

NOTE: The numerator and denominator are derived from the "Operations Column" of the project only and do not include any amounts reported in the "Capital Fund" column for those line items

- Ensure that CFFP Debt transactions are reported in the CFP column of the project.

- PIC contains a list of PHA's projects and the project's status:
  - "In Management"
  - "In Development"
  - "Terminated"
    - ◆ RAD Inventory Removal

- Projects designated as "In Management" are available for selection in the FASS system.

- Projects shown as "In Management" are the only projects that are scored under the Financial Condition Indicator.

- The following project types are not scored under the Interim PHAS Financial Condition Indicator:
  - FDS Line 513 Total Equity/Net Assets = 0
  - Project "In Development"
  - Mixed Finance Projects
  - Other Project
    - Terminated
    - In Development
    - Activities not project-specific (example: Homeownership program)
    - COCC
    - RAD

ID	Project Type	Description	Financial Condition Indicator	
			Project Scored	Not Scored
1	In Management	Is the only project type that is scored under FASS. These projects are contained in PIC and are available for selection in the FASS-PH System	●	
2	In Development	Active projects that are not yet in management status are termed "in development". These projects are contained in PIC but the "in development" projects are not available for selection in the FASS-PH System.		●
3	Mixed Finance Project	Self-identified by PHA based on "Y" for yes response on Project Statement screen. Screen is only displayed if the PHA has more than (1) project available.		●
4	Other Project	PHAs have the option to add an "other project" column. "Other Projects" are coded with a project code of "999999999" and are typically used to identify projects that are: 1) Terminated; 2) In development phase but not displayed in PIC; and 3) associated with activities that are not project-specific (e.g., homeownership program).		●
5	"9999" Project	PHA created projects that reflect land and buildings of the Public Housing program that are used by the COCC (i.e., administrative offices, central warehouses) and are not reflected in any of the other PHA's projects.		●

- **Step 1:** Calculate FASS Indicator score (QR, MENAR, and DSCR) for each project. Mixed finance projects are excluded from scoring.

Project	Mixed Finance	QR		MENAR		DSCR		Project Score
		Value	Score	Value	Score	Value	Score	
Project 1	No	6.65	**12.00**	2.31	**8.57**	N/A	**2.00**	**22.57**
Project 2	No	1.22	**8.26**	1.23	**6.95**	Negative	**0.00**	**15.21**
Project 3	No	3.75	**12.00**	1.55	**7.43**	N/A	**2.00**	**21.43**
Project 4	Yes	Excluded (Mixed Finance Project)						N/A

- **Step 2:** Convert the UMAs for each Project into Units (UMAs/12)

- **Step 3:** Calculate the weighted value for each project (Col 3 x Col 4)

- **Step 4:** Calculate unit weighted FASS score by summing the weighted value and then dividing this amount by the total number of units (8,570.50/450 = 19.05 FASS Score)

- Note: For the audited submission, the unit weighted FASS score is then adjusted by the results of the audit (i.e., audit adjustments) and other score adjustments, such as the significant change penalty (A reduction in score of 10%)

1 Project	2 Unit Months Available (FDS Line 11190)	3 Units (Col 2 ÷ 12 months)	4 Project Score (Previous slide)	5 Weighted Value (Col 3 × Col 4)
Project 1	1,800	150	22.57	3,385.50
Project 2	2,400	200	15.21	3,042.00
Project 3	1,200	100	21.43	2,143.00
PHA Totals		450		8,570.50
PHA Unit Weighted FASS Score (PHA Total Weighted Total / Total Units)				19.05

FLAGS

Financial Statement Audit Opinion(s)	NEW FLAG: Opinion(s) on Supplemental Information	Report on Internal Control and Compliance (Yellow Book)	Report on Compliance with Requirements Applicable to Major federal programs (OMB Circular Single Audit)	Other Considerations
NONE	NONE	NONE	NONE	NONE
TIER 1	TIER 1	TIER 3	TIER 1	TIER 2
TIER 2	TIER 2		TIER 2	TIER 3
			TIER 3	
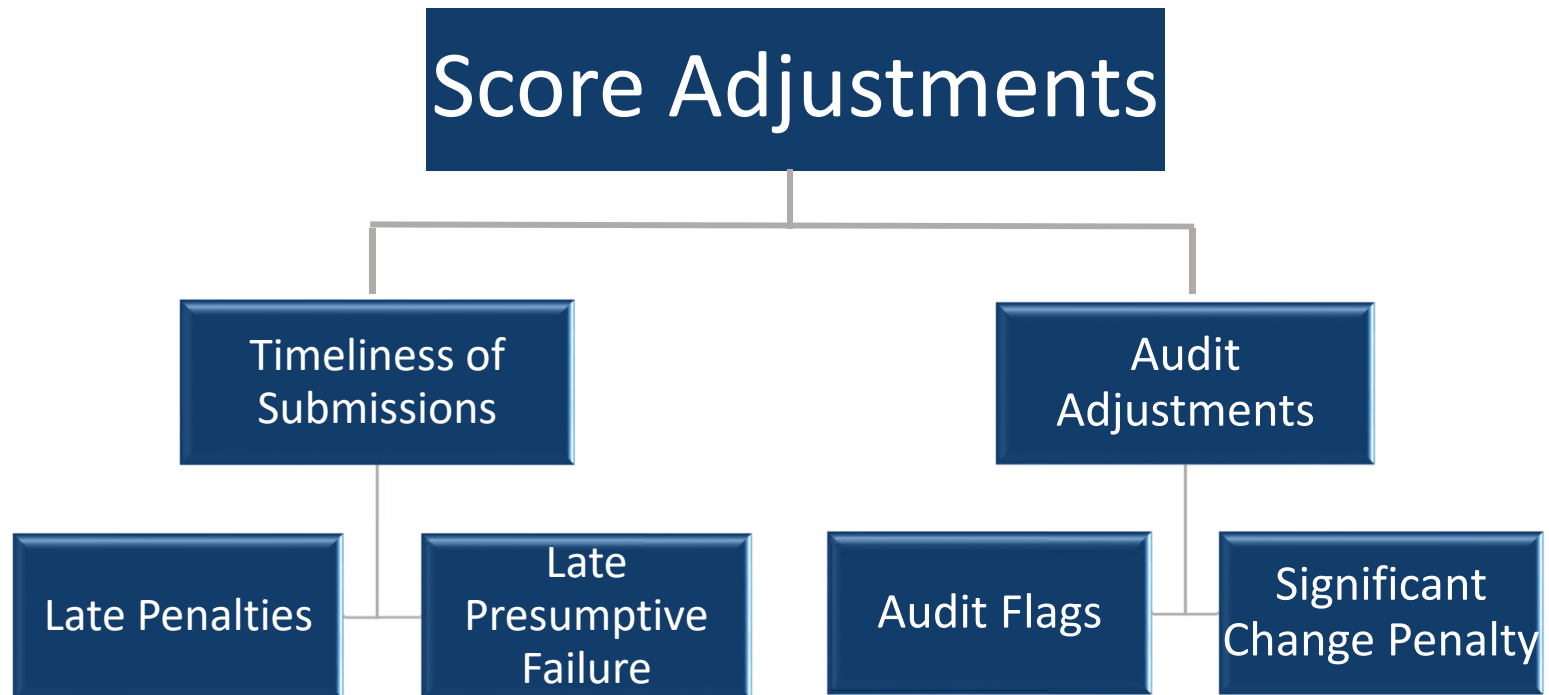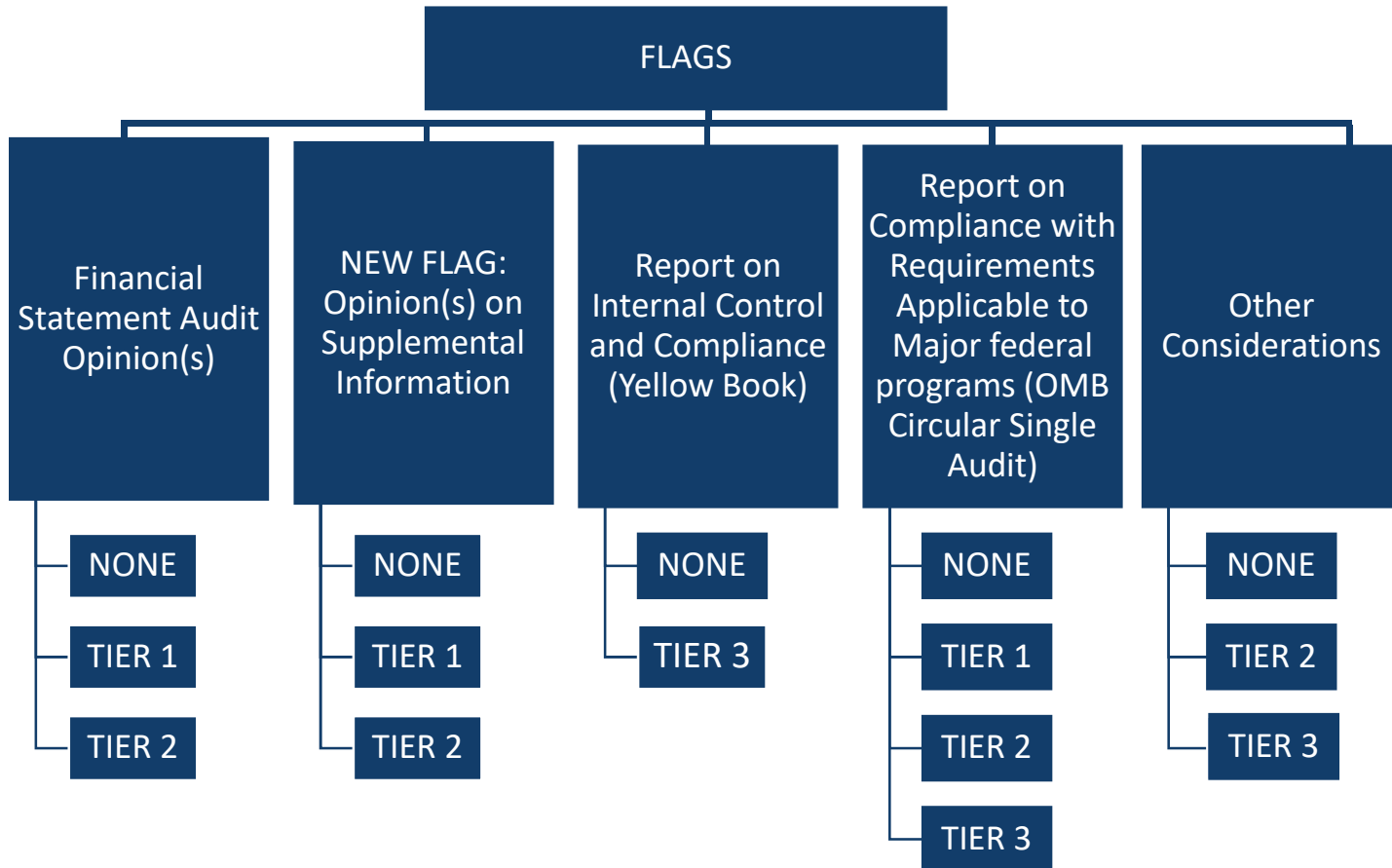
Tier Classification

Each tier assesses point deductions of varying severity

Tier 1
- Any Tier 1 finding assesses a 100% deduction of the PHA's financial condition indicator score

Tier 2
- Any Tier 2 finding assesses a point deduction equal to 10% of the unadjusted financial condition indicator score

Tier 3
- Each Tier 3 finding assess a 0.5 point deduction per occurrence to a maximum of 4 points of the financial condition indicator score

Unmodified Opinion (no penalty)

Financial Statement			
Element#	**Description**	**Value**	**Details**
*G3000-005	Financial Statements Using Basis Other Than GAAP	No	---
*G3000-010	Type of Audit Report	☐ Modified Opinion ☑ Unmodified Opinion ☐ Adverse Opinion ☐ Disclaimer of Opinion	Details]
*G3000-020	Going Concern Indicator	No	---
*G3000-030	Significant Deficiency Indicator	No	---
*G3000-040	Material Weakness Indicator	No	---
*G3000-050	Material Noncompliance Indicator	No	---
*G3000-060	Fraud	No	---
*G3000-070	Illegal Acts	No	---
*G3000-080	Abuse	No	---

Tier 2 — Tier 2. Assesses a point deduction equal to 10% of the unaudited financial condition indicator score

None

Tier 1

Tier 1 — Tier 1. Assesses a 100% (25 pts) deduction of the PHA's financial condition indicator score

Timeliness of Submission
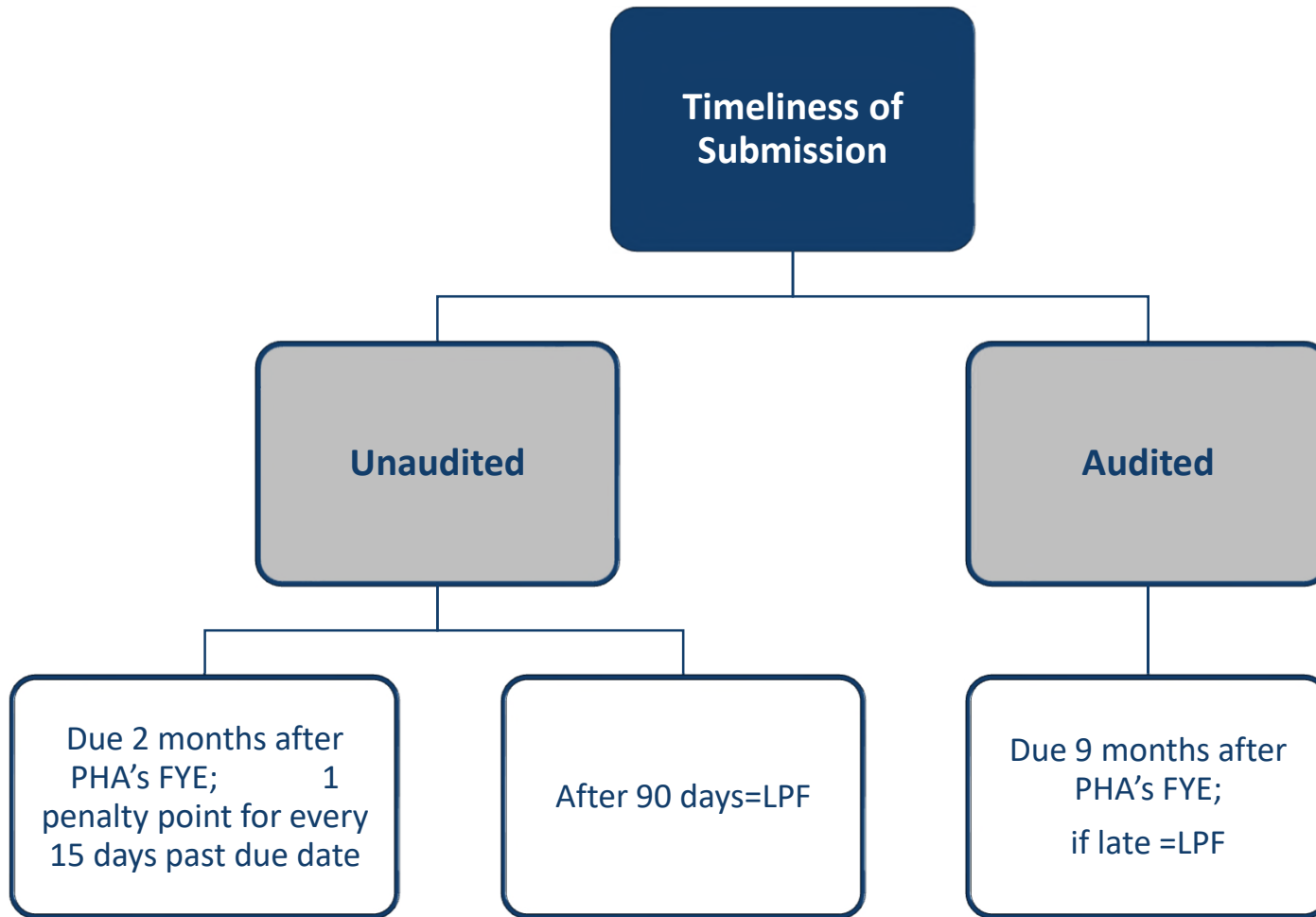
Unaudited

Audited

Due 2 months after PHA's FYE;   1 penalty point for every 15 days past due date

After 90 days=LPF

Due 9 months after PHA's FYE;

if late =LPF

- The Interim Rule removes the requirement for a PHA to submit and self-certify to management indicators using the form HUD-50072.

- The management capability of a PHA is assessed annually based on detailed information submitted electronically to REAC through the FASS system (unaudited and audited submissions).

- The PHA is assessed under three management performance indicators.

Changes in MASS Scoring

Prior PHAS

Vacant Unit Turnaround Time	4.0
Capital Fund	7.0
Work Orders	4.0
Annual Inspections	4.0
Security	4.0
Economic Self-Sufficiency	7.0
Total Points	*30.0*

Interim PHAS

Occupancy	16.0
Tenants Account Receivable	5.0
Account Payable	4.0
Total Points	*25.0*

Occupancy

Emphasizes and measures a project's performance in keeping available units occupied

Higher ratio =

higher score

Maximum 16 points

Tenant Accounts Receivable

Measures the amount of tenant accounts receivable against tenant revenue

Lower Ratio =

higher score

Maximum 5 points

Accounts Payable

Measures total vendor accounts payable, both current and past due, against total monthly operating expense

Lower Ratio =

higher score

Maximum 4 points
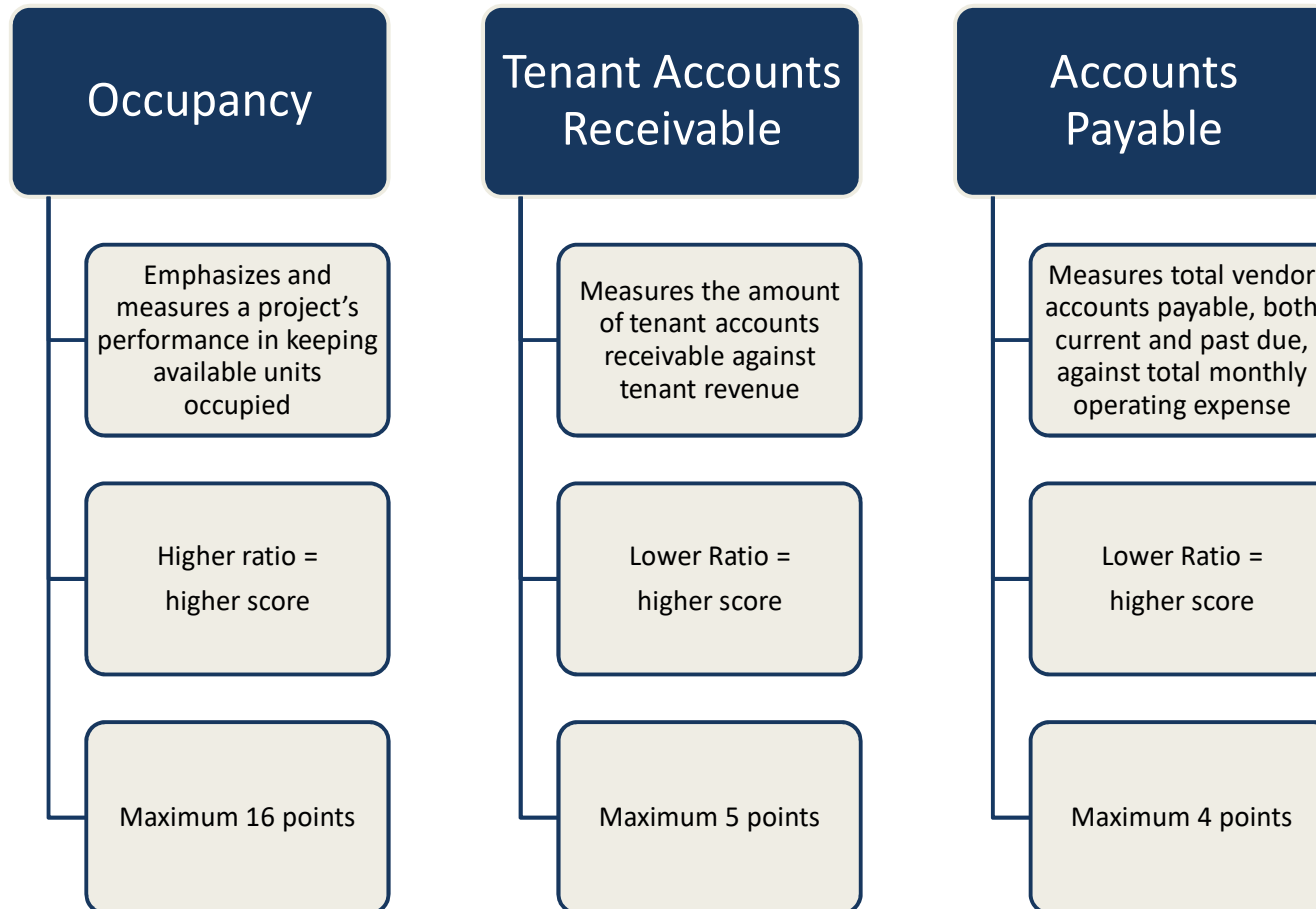
- Calculation Methodology
- Detail Line Item Calculation

$$\frac{Unit\ Months\ Leased}{Unit\ Months\ Available}$$

$$\frac{11210}{11190}$$

How Occupancy is Scored

≥98%	16 points
98% >but ≥ 96%	12 points
96% >but ≥ 94%	8 points
94% >but ≥ 92%	4 points
92%> but ≥ 90%	1 point
<90%	0 points

- Types of HUD-approved vacant units (per 24 CFR 990.145)
  - Vacant units under going HUD approved modernization
  - Special use units
  - Vacant units as a result of court litigation
  - Vacant units due to natural disaster
  - Vacant units due to casualty loss

- Track units leased monthly and support them with underlying data (the rent roll or rental register)

- Track, document, and report the number of HUD approved vacancy unit months

Occupancy	Unit Months
Base units available (100 units * 12 months)	1,200
Units occupied	1,090
Vacant units under CFP repair	42
Vacant units being turned	66
Police unit (1 unit)	12

- Based on the table above, the PHA's occupancy rate was 95.1% resulting in an occupancy score of 8 points out of a possible 16 points. [1,090 ÷ [(1,200 base units available) − 42 vacant unit months − 12 special unit months]

- Calculation Methodology

- Detail Line Item Calculation

$$\frac{Accounts\ Receivable - Tenants}{Total\ Tenant\ Revenue\ *}$$

$$\frac{126}{70500}$$

*Includes rents and other charges to the tenants

How Tenant Accounts Receivable is scored

<1.5%	5 points
≥ 1.5 % but < 2.5%	2 points
≥ 2.5%	0 points

- Write off non-collectable tenant accounts receivable in accordance with the PHA's policy before the end of the fiscal year.

- Separate any fraud receivable balance accrued from tenant accounts receivable balances from tenants that
    - Have committed fraud
    - Owe additional rent from prior periods (retroactive adjustments)

- Report additional tenant income such as misc. charges, late fees, excess utilities on FDS line 70400 (Tenant revenue – other), not on FDS line 71500 (Other Revenue)

Accounts Payable (AP) (4 points)

- Calculation Methodology

$$\frac{(Current\ Accounts\ Payable < 90\ days + Past\ Due\ Accounts\ Payable > 90\ days)}{(Total\ Operating\ Expenses\ /\ 12)}$$

- Detail Line Item Calculation

$$\frac{312 + 313}{96900 \div 12}$$

How Accounts Payable is scored

<.075	4 points
≥ .075 but < 1.5	2 points
≥ 1.5	0 points

Accounts Payable: FDS Reporting

- Make sure that all CFP liabilities have been paid by the end of the fiscal year

- Ensure that accounts payable lines (FDS lines 312 and 313) do not contain accrual transactions that are to be reported in FDS lines 321-325 and 346.

- Commonly misreported items
  - Accrued employee benefits and payroll
  - Construction premiums
  - Utilities

- Review A/P to see if any amounts can be allocated to COCC

Physical Condition & Neighborhood Environment (PCNE)

Prior PHAS

Max Points	3 points
Category under	PASS
Physical Condition	10 years
Neighborhood Environment	51%
Via PHA Certification	

Interim PHAS

Max Points	2 points
Category under	MASS
Physical Condition	28 years
Neighborhood Environment	40%
Via Data from PIC	

Physical Condition (PC)

Projects **at least 28 years** old, based on the unit-weighted average Date of Full Availability (DOFA) date

Maximum 1 point

Neighborhood Environment (NE)

Projects in census tracts, in which **at least 40%** of families have an income below poverty rate

Maximum 1 point

- The PCNE adjustment cannot exceed the maximum number of possible MASS points (i.e., 25 points)
- A PCNE adjustment, if warranted, will be made to each individual project scores

Calculating PHA-wide MASS Indicator Score

- **Step 1:** Calculate MASS Indicator score (Occupancy, TAR, and AP) for each project, including any PCNE adjustment. Mixed-finance projects are excluded from scoring.

MASS Project Scores					
			PCNE		
Project	**Mixed Finance**	**MASS Score**	**PC**	**NE**	**Project Score**
Project 1	No	24.00	1	1	**25.00**
Project 2	No	16.50	1	1	**18.50**
Project 3	No	22.68	0	1	**23.68**
Project 4	Yes	Excluded (Mixed Finance Project)			N/A

- **Step 2:** Convert the UMAs for each Project into Units (UMAs/12 – same as FASS)
- **Step 3:** Calculate the unit weighted value for each project (Col 2 x Col 3)
- **Step 4:** Calculate unit weighted MASS score by summing the weighted value and then dividing this amount by the total number of units (9,818.00/450 = 21.82)

Calculation of PHA-wide Management Score			
1	2	3	4
Project	Units	Project Score (Previous slide)	Weighted Value (Col 2 × Col 3)
Project 1	150	25.00	3,750.00
Project 2	200	18.50	3,700.00
Project 3	100	23.68	2,368.00
PHA Totals	450		9,818.00
PHA Unit Weighted MASS Score (PHA Total Weighted Value / Total Units)			21.82

- Thoughts

- Questions?

- Comments?